



The Evolution of ERM

Emerging Risk Management

From Operational to Catastrophic Risk Management

RTI International at a Glance

- RTI is one of the world's leading research institutes, dedicated to improving the human condition by turning knowledge into practice
- An independent, not-for-profit organization with a distinguished history in scientific research, technology development, and international development
- A unique organization serving clients from government, industry, academia and public service throughout the world
- 4,000 professionals supporting projects in more than 48 countries
- Five major business units, five different markets
 - International Development Group
 - Social, Statistical & Environmental Sciences
 - Health Solutions
 - Discovery & Analytical Sciences
 - Energy Technology
- Annual revenue \$750 million (2010 Forecast)



Enterprise Risk includes what you don't see coming...



... but is possible and manageable!

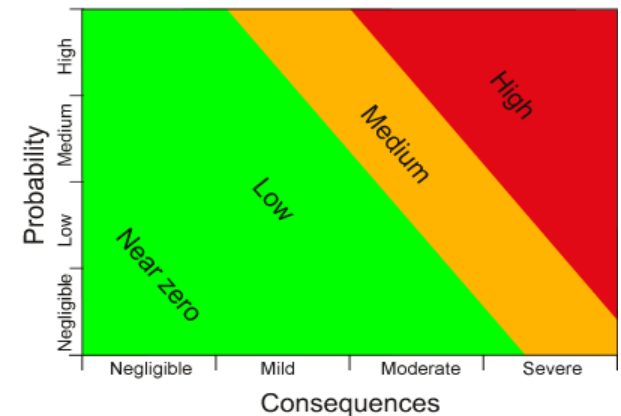
The Next Level

Develop state of the art practices that focus more on

- Emerging strategic risks
- Catastrophic impact, low probability risks
- Known-unknowns

Look beyond **Probability** and **Severity** to a third element of risk: **Risk Velocity**

Risk Velocity The speed at which the full impact of the risk event is anticipated to be realized.



Gathering data *Polling the Strategic Thought Leaders*

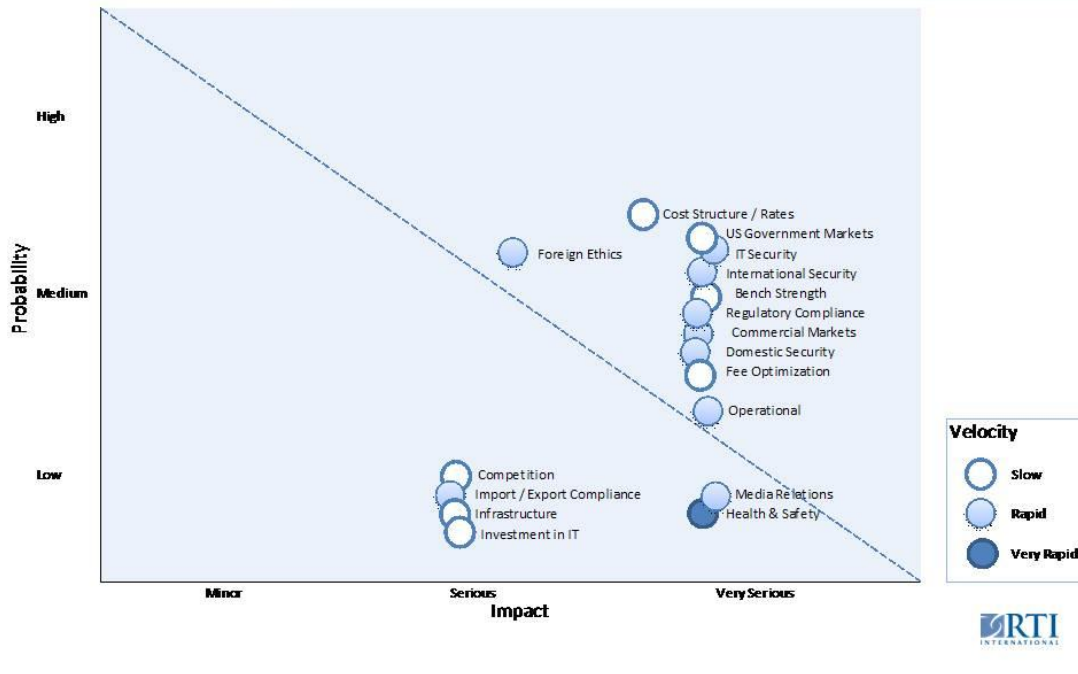
	Probability - Please assess the probability of the risk occurring within the next 12 months (mark with an "X")		Velocity - If the risk were to materialize in the next quarter, how rapidly would it impact your organization? (mark with an "X")		Impact - If this risk were to materialize, what would the impact be on your unit or the organization as a whole?(mark with an "X")	
Top 5 Risks	<i>Low</i>	~ 25% likelihood	<i>Slow</i>	Impact evident within a year	<i>Minor</i>	Unlikely to have significant impact
ORGANIZATION NAME Business Unit	<i>Medium</i>	~ 50% likelihood	<i>Rapid</i>	Impact evident within a quarter	<i>Serious</i>	Risk would have an impact that would take significant time or resources to recover from
Please list your top 5 risks for the next 12 months in order of priority	<i>High</i>	~ 75% likelihood	<i>Very Rapid</i>	Impact evident within a month	<i>Very Serious</i>	Risk would have an impact that could potentially be permanent and devastating to your unit or the organization
Risk #1 - 13. US Government Markets						
Federal deficit and frozen agency budgets may constrain future bidding opportunities.	Low	<input type="checkbox"/>	Slow	<input checked="" type="checkbox"/>	Minor	<input type="checkbox"/>
	Medium	<input checked="" type="checkbox"/>	Rapid	<input type="checkbox"/>	Serious	<input checked="" type="checkbox"/>
	High	<input type="checkbox"/>	Very Rapid	<input type="checkbox"/>	Very Serious	<input type="checkbox"/>
Risk #2 - 42 Investing in Innovation						
Without additional investment in our core survey business, declining revenue/earnings trend will have detrimental impact.	Low	<input type="checkbox"/>	Slow	<input checked="" type="checkbox"/>	Minor	<input type="checkbox"/>
	Medium	<input checked="" type="checkbox"/>	Rapid	<input type="checkbox"/>	Serious	<input type="checkbox"/>
	High	<input type="checkbox"/>	Very Rapid	<input type="checkbox"/>	Very Serious	<input checked="" type="checkbox"/>

Operational Risks *Assessing Top Risks*

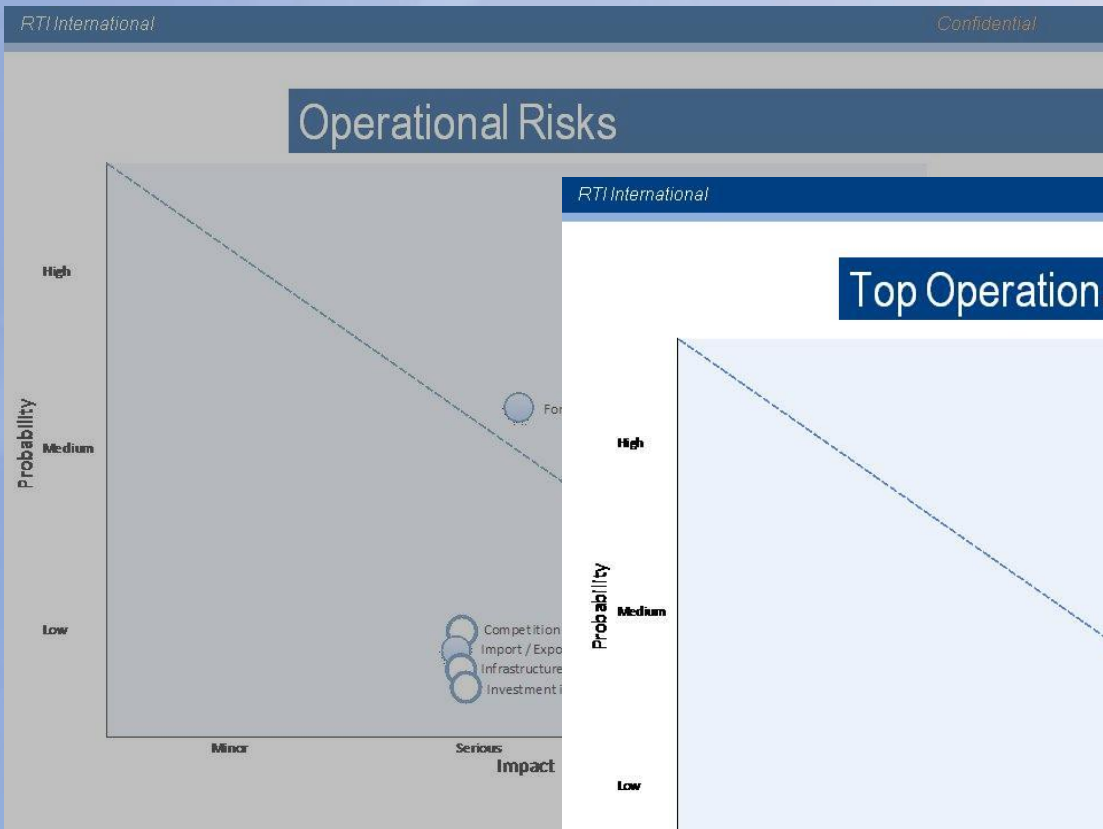
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Operational Risks



Operational Risks *Assessing Top Emerging Risks*

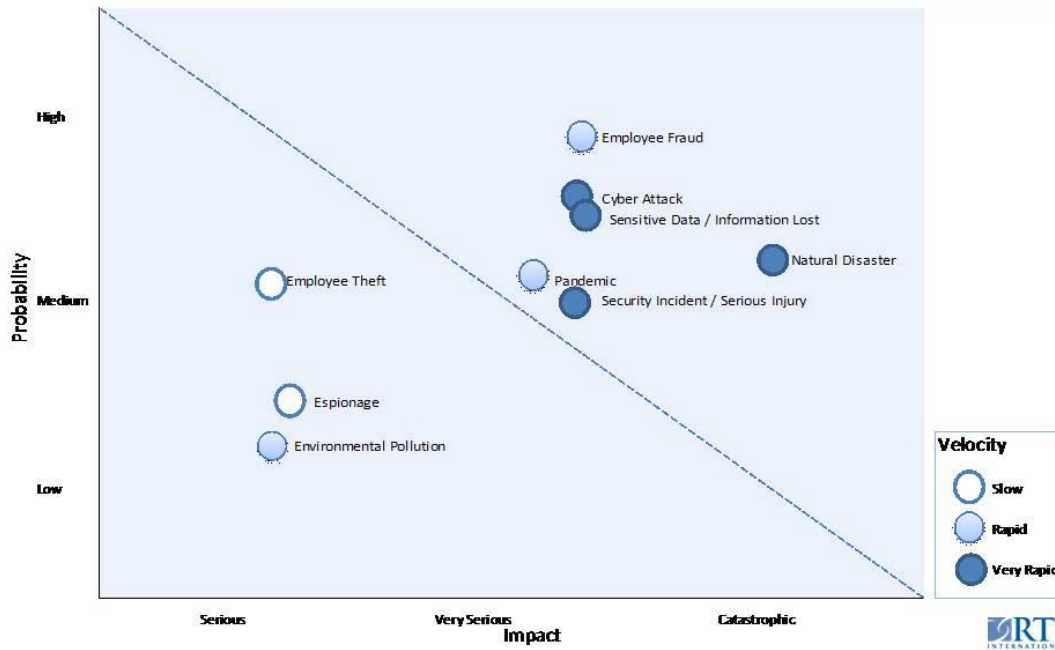


Catastrophic Risks *Assessing Top Risks*

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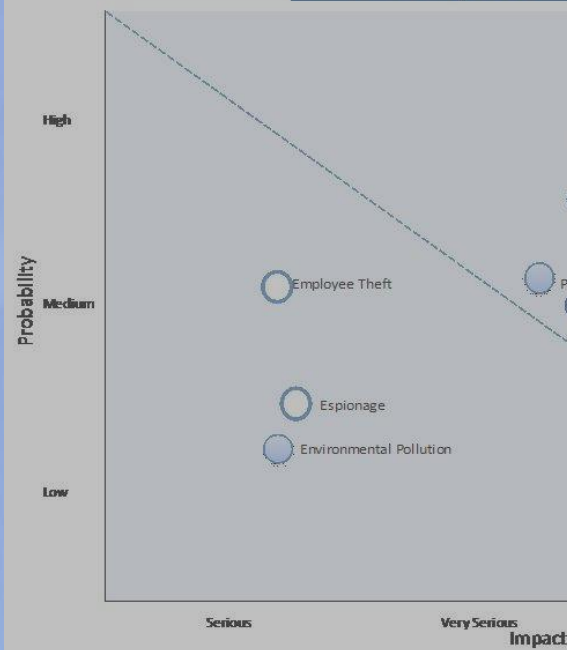
Catastrophic Risks



Catastrophic Risks *Assessing Top Emerging Risks*

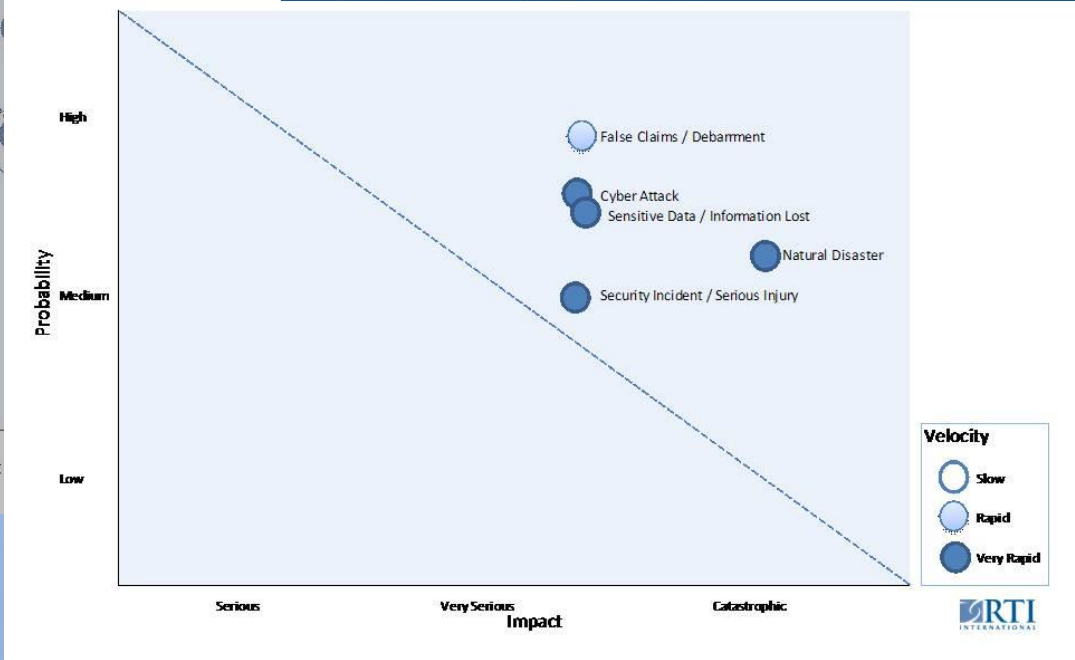
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Catastrophic Risks



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Top Catastrophic Risks



Evolving Risk Tools *Before*

Business Unit

Ethics	Financial	Human Resources	Market	Operational	Regulatory Compliance	Reputation	Safety & Security	State of Science & Technology
Domestic Ethics	Revenue Mx	Bench Strength ↑	Market #1	Transition Management	Import Export	Client Satisfaction	International Security	Research Development
Foreign Ethics	Portfolio Management	Recruiting	Market #2	Business Continuity	IT Systems Compliance	Project Risk Identification	Health, Safety & Environmental	Thought Leadership
	Revenue Concentration	Retention	Market #3	Data Privacy	Compliance	Media Relations		Key Staff Turnover ↓
	Payroll		Market #4	Product Review	Sub-Contractors			
			Strategic Planning ↓	Property Control				

Overall Risk Area Change Arrows
 – Used when the overall aggregated risk has increased.
 ↑ Indicates an increase of risk in the KRI area
 ↓ Indicates a decrease of risk in the KRI area
 KRI Changes – Used when there was a change in a Research Unit or G&A's KRI.
 ★ Indicates a change in a unit level KRI that did not trigger change the overall aggregated risk

- Strategic Planning** – (Decreased Risk) - EVP has identified short- and long-term goal for the B/U FY10 strategic plan and has been approved to hire consultant to facilitate the process which will continue through December 2009.
- Key Staff Turnover** – (Decreased Risk) - Lost several natural products staff and staff but in process of hiring a consultant to do technology assessment of various products.
- Bench Strength** – (Increased Risk) - A priority to EVP and is part of our FY10 strategic plan. VP and senior management will be working together to address needs and timing of critical hires.

Evolving Risk Tools *Before and After*

Business Unit

Ethics	Financial	Human Resources	Market	Operational	Regulatory Compliance	Reputation
Domestic Ethics	Revenue Mx	Bench Strength	Market #1	Transition Management	Import Export	Client Satisfaction
Foreign Ethics	Portfolio Management	Recruiting	Market #2	Business Continuity	IT Systems Compliance	Project Risk Identification
	Revenue Concentration	Retention	Market #3	Data Privacy	Compliance	Media Relations
	Payroll		Market #4	Product Review	Sub-Contractors	
			Strategic Planning	Property Control		

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- Bench Strength** – (Increased Risk) - A priority to EVP and is part of our FY10 needs and timing of critical hires.

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10/11/20

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Business Unit Dashboard
As of June 30, 2010

Legal & Ethics Compliance	Financial	Human Resources	Operational	Regulatory Compliance	Reputation	Safety & Security	Information Technology	Market	Strategic
Domestic Ethics	Fee Optimization	Bench Strength	Business Continuity	Export Control	Media Relations	International Security	ITS Systems Compliance	US Gov. Markets	Invest in Physical Infrastructure
Foreign Ethics	Revenue Concentration	Succession Planning	Property Control	Payroll & Taxation	State of Science & Research	Domestic Security	IT Security	Commercial Markets	Clients Satisfaction
	Cost Structure & Rates	Recruiting	Records Management	Regulatory Compliance	Scientific Integrity	Health & Safety	Operational Effectiveness	Competition	Invest in IT Infrastructure
	Banking, Liquidity & Credit	Retention					Governance	Market #1	Globalization
	Return on Investments							Market #2	Investing in Innovation
								Market #3	

Key Risk Indicator Discussion

- Records Management - Risk declined due to an external event.
- Investing in Innovation - Risk increased because something happened.

Leadership Commentary

This is where the free form commentary from the business unit leaders is placed.

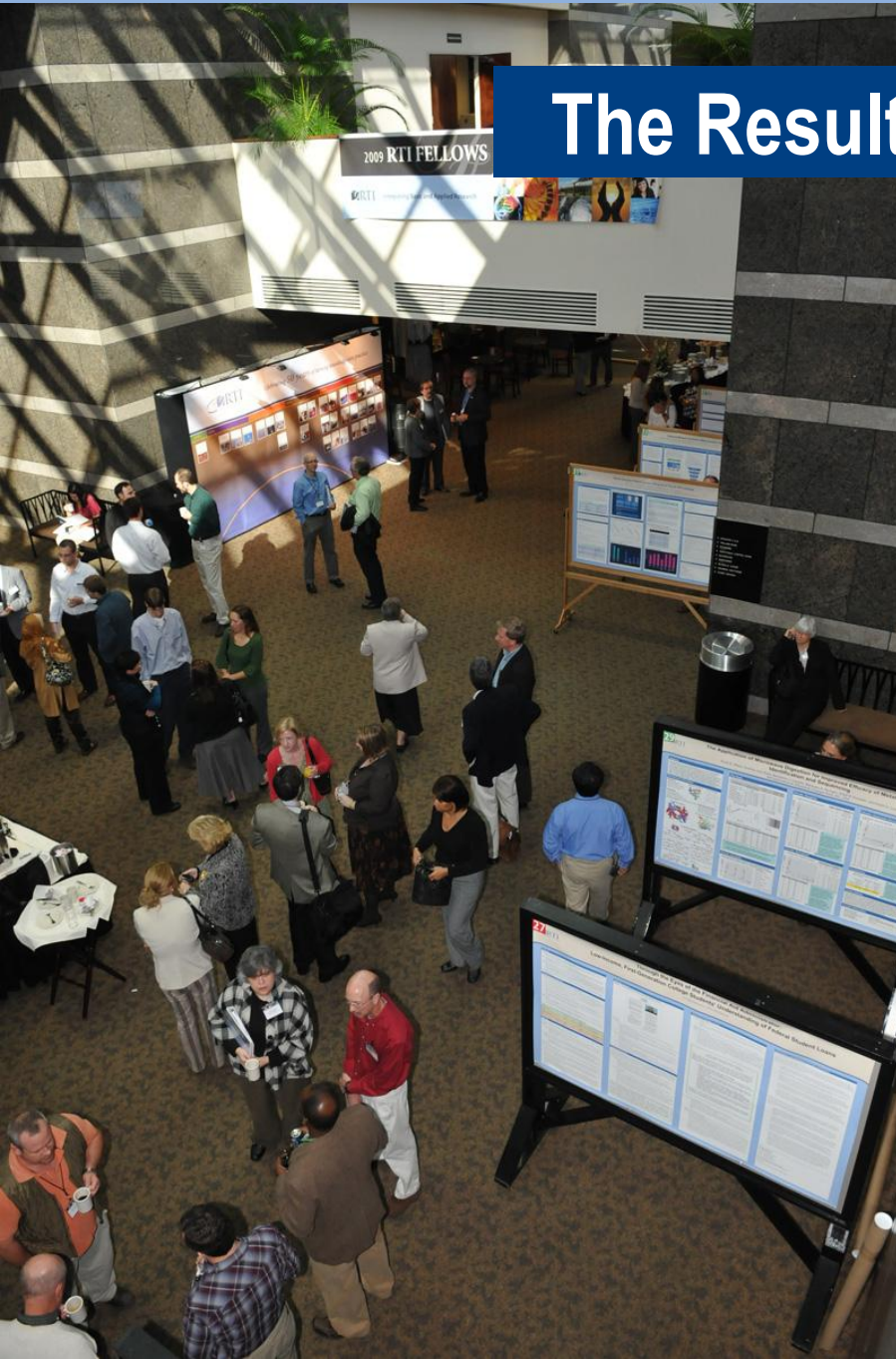
Top Business Unit Risks

Probability: High, Med, Low

Impact: Serious, Very Serious, Catastrophic

Legend: Slow (small circle), Rapid (medium circle), Very Rapid (large circle)

The Result: A Holistic Look at Risk



- Build on existing Risk Tools
- Create multi-tiered approach to cover risk from operational to strategic and local to global impact
- Integrate risk assessment into strategic planning at the executive and board level
- Working Groups to assess risks and develop the organization's risk mitigation/response plan

Evolution is not a force but a process..

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